

# Trilogy Enhanced Income Fund

Annual Financial Report  
30 June 2023

**ARSN 614 682 469**

Issued by Trilogy Funds Management Limited  
in its capacity as Responsible Entity

## **A Message from the Non-Executive Chairman**


Thank you for your continued support. As we look back on the past year at TrilogY Funds, we are pleased to share the significant milestones that have shaped our journey.

This year, we welcomed three new Executive Directors to our Board. These include Justin Smart, who serves as TrilogY Funds Executive Director and Chief Operating Officer; Clinton Arentz, our Executive Director for Lending and Property Assets; and Henry Elgood, our Executive Director for Institutional Capital and Chief Risk Officer. All three have held senior leadership positions with TrilogY Funds for a long time.

A highlight this year was the naming of the TrilogY Industrial Property Trust as the 2023 Fund Manager of the Year in the Direct Property category by the Financial Newswire and SQM Research Awards. In addition, the Trust was recognised by Livewire at the end of 2022 as one of the top performers in its category, and with Ryan Mooney, Manager- Property Funds, winning the 2023 Rising Star of the Year award at the Money Management Australia Fund Manager of the Year Awards.

In terms of our other products, we have broadened our offering by introducing the MDC TrilogY Wholesale Yield Fund I. This fund provides investors with exposure to rent rolls through the issuance of secured notes. Our flagship open-ended funds continue to perform as expected and have been recognised by independent research houses and industry peers.

As we move into the new financial year, we are optimistic and focused on seizing opportunities. We remain committed to helping you achieve your financial goals.



**Robert Willcocks**

Independent Non-Executive Chairman  
TrilogY Funds Management Limited

**Trilogy Enhanced Income Fund**  
**Contents page**

	Page
Directors' report	1
Auditor's independence declaration	6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	27
Independent auditor's report	28

**Trilogy Enhanced Income Fund**  
**Directors' report**  
**For the year ended 30 June 2023**

The Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Trilogy Enhanced Income Fund (Scheme or Trust), present their report together with the financial statements of the Scheme for the year ended 30 June 2023. The Scheme was registered as a managed investment scheme on 15 September 2016.

**Responsible Entity**

The Responsible Entity is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity and the Scheme is Level 26, 10 Eagle Street, Brisbane, QLD, 4000.

**Directors**

The names of the directors in office at any time during, or since the end of the period are:

<b><i>Name and qualifications</i></b>	<b><i>Age</i></b>	<b><i>Experience and special responsibilities</i></b>
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	74	Member of the Audit & Risk Committee Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons) Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Non-Executive Deputy Chairman BCom(Merit), AICD, SFFin	77	Former executive director of Challenger International Limited. Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia Executive Director – Responsible Entity until 30 June 2023 Non-Executive Director - Responsible Entity since 30 June 2023
John C Barry Executive Director BA, FCA	71	Chairman of the Audit & Risk Committee Former executive director of Challenger International Limited Mr Barry is a director of several companies, including former Chairman of Westpac RE Limited Director – Responsible Entity since 9 July 2004
Philip A Ryan Managing Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	62	Member of the Compliance Committee Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Former partner of a Brisbane law firm Mr Ryan is a director of several companies Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	54	Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008
Justin J Smart Executive Director and Company Secretary BCom, CPA	51	Member of the Audit & Risk Committee, and Compliance Committee Mr Smart is a director of several private companies and has over 20 years experience in the financial services industry Director – Responsible Entity from 1 January 2023 Company Secretary - Responsible Entity from 11 July 2013

**Trilogy Enhanced Income Fund**  
**Directors' report**  
**For the year ended 30 June 2023**

**Directors (continued)**

Henry F Elgood Executive Director MAICD	27	Member of the Audit & Risk Committee, and Compliance Committee Mr Elgood is a non-executive director of several private companies Director – Responsible Entity from 1 January 2023
Clinton B Arentz Executive Director MBA, SIA (Aff)	60	Chairman of the Workout Committee Head of Lending & Property Mr Arentz is a former director of Winston Development Services, and has over 25 years experience in property development, asset management, project delivery, construction lending and property finance Director – Responsible Entity from 1 January 2023

**Principal activities**

As noted above, the Responsible Entity registered the Scheme as a managed investment scheme on 15 September 2016 and commenced operations from that date. The Scheme is domiciled in Australia.

The principal activity of the Scheme during the period was to invest a portion of the Scheme's funds in fixed income and cash-style investments, such as bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities and income securities. These may be held directly or indirectly through listed or unlisted managed investment schemes, or other investment vehicles or portfolio arrangements.

The remaining portion of the Scheme's funds are invested in another registered managed investment scheme operated by the Responsible Entity, Trilogy Monthly Income Trust (TMIT), a registered pooled mortgage fund which writes loans that are secured by registered first mortgages. The Scheme itself has no borrowings and there is no intention to borrow on behalf of the Scheme.

The purpose of the Scheme's investment mandate is to generate a competitive income stream for its investors. The Scheme did not have any employees during the year. The Responsible Entity aimed to pay investors withdrawals within 30 days notice, however the Constitution of the Scheme provided for withdrawals to be paid within a reasonable period not exceeding 6 months.

*Financial overview*

The net profit attributable to unitholders for the year ended 30 June 2023 is \$3,600,553 (2022: \$2,303,966). The average net return for unitholders for 30 June 2023 is 4.37% (2022: 2.55%). The number of units on issue declined over the year by 30,191,519, bringing the total units on issue to 65,072,414 (2022: 95,263,933).

Distributions to unitholders during the year totalled \$3,600,553 (2022: \$2,303,966). The total carrying value of the Scheme's assets as at 30 June 2023 was \$65,072,414 (2022: \$95,263,933), representing a net asset value (NAV) of \$1.00 per unit (2022: \$1.00).

**Trilogy Enhanced Income Fund**  
**Directors' report**  
**For the year ended 30 June 2023**

**Principal activities (continued)**

*Distributions to unitholders*

The return to unitholders of the Scheme was as follows (refer Note 5):	<b>30 Jun 2023</b>	30 Jun 2022
	\$	\$
Distributions paid during the period	<b>3,279,538</b>	2,074,971
Distributions payable at period end	<b>321,015</b>	228,995
	<b><u>3,600,553</u></b>	<u>2,303,966</u>
Average net return to unitholders p.a.	<b>4.37%</b>	2.55%

*Units on issue*

During the year, 38,298,753 units were issued for cash (2022: 71,559,261), of which 574,918 were issued through reinvestments of distributions (2022: 412,918). A total of 68,490,272 units were redeemed from the Scheme (2022: 50,460,441). The Scheme recorded no impairment losses during the year (2022: nil).

Units in the Scheme entitle the unitholder to participate in distributions and proceeds on the winding up of the Scheme in proportion to the number of units held.

On a show of hands each unitholder present at a meeting in person or by proxy is entitled to one vote, and on a poll each member has one vote for each dollar of the value of the total units they have in the Scheme.

*Indirect cost ratio (ICR)*

The ICR is the ratio of the Scheme's management costs over the Scheme's average net assets for the period, expressed as a percentage.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Scheme, but do not include transactional and operational costs. Management costs are deducted from distributions to unitholders.

The ICR for the Scheme for the year 30 June 2023 is 0.00% p.a. (2022: 0.09% p.a.).

**Interests of the Responsible Entity**

The following fees were paid to the Responsible Entity from the Scheme during the period (refer Note 13(c)).

	<b>30 Jun 2023</b>	30 Jun 2022
	\$	\$
Responsible Entity management fees	<b>332,819</b>	308,814
Responsible Entity management fees rebated	<b>(214,251)</b>	(227,902)
	<b><u>118,568</u></b>	<u>80,912</u>
<i>Other fees and expenses</i>		
Expenses incurred by the Responsible Entity and not reimbursed by the Scheme	<b><u>382,570</u></b>	491,345

The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2023 (2022: nil).

**Trilogy Enhanced Income Fund**  
**Directors' report**  
**For the year ended 30 June 2023**

**Significant changes in the state of affairs**

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the financial year.

**Events subsequent to the end of the reporting period**

There has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

**Likely developments and expected results of operations**

The Scheme will continue to pursue its principal activities in the next financial year in order to achieve the target return for unitholders.

**Environmental regulation**

The operations of the Scheme are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Scheme.

**Options**

No options were:

- (i) Granted over unissued units in the Scheme during or since the end of the financial period; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Scheme were under option as at the date on which this report is made.

No units were issued in the Scheme during or since the end of the period as a result of the exercise of an option over unissued units in the Scheme.

**Indemnification of officers**

*Indemnification*

Under the Scheme constitution the Responsible Entity is required to indemnify all current and former officers of the Responsible Entity (but not including auditors) against:

- (a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in the connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
- (b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

*Insurance premiums*

During the year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors. The Scheme has not indemnified any auditor of the Scheme.

**Trilogy Enhanced Income Fund**  
**Directors' report**  
**For the year ended 30 June 2023**

**Proceedings on behalf of the Responsible Entity**

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity in relation to Scheme, or intervene in any proceedings to which the Responsible Entity in relation to the Scheme is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings. The Responsible Entity was not a party to any such proceedings during the year.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.



Philip A Ryan  
Managing Director

21 September 2023  
Brisbane



Justin J Smart  
Executive Director


21 September 2023  
Brisbane



**DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF TRILOGY FUNDS  
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY OF TRILOGY ENHANCED INCOME FUND**

As lead auditor of Trilogy Enhanced Income Fund for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.



**T J Kendall**  
Director

**BDO Audit Pty Ltd**

Brisbane, 21 September 2023

**Trilogy Enhanced Income Fund**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
Revenue from investments	4	4,031,301	3,806,454
Net gain/(loss) on financial instruments held at fair value	9(a)	363,718	-
		<u>4,395,019</u>	<u>3,806,454</u>
<b>Expenses</b>			
Responsible Entity management fees	13(c)	(118,568)	(80,912)
Net gain/(loss) on financial instruments held at fair value	9(a)	-	(1,374,592)
Indemnity guarantee	13(c)	(674,524)	-
Other expenses		(181)	(44,547)
Bank fees		(1,193)	(2,437)
		<u>(794,466)</u>	<u>(1,502,488)</u>
<b>Profit for the year before finance costs</b>		<u>3,600,553</u>	2,303,966
<b>Profit for the year attributable to unitholders</b>		<u>3,600,553</u>	2,303,966
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<u>3,600,553</u>	<u>2,303,966</u>

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

**Trilogy Enhanced Income Fund**  
**Statement of financial position**  
**As at 30 June 2023**

	<b>Note</b>	<b>2023</b>	2022
		\$	\$
<b>Assets</b>			
Cash and cash equivalents	7	<b>7,650,972</b>	11,413,733
Trade and other receivables	8	<b>524,217</b>	1,362,663
Financial assets	9	<b>57,235,127</b>	83,044,274
<b>Total assets</b>		<b>65,410,316</b>	95,820,670
<b>Liabilities</b>			
Trade and other payables	10	<b>16,887</b>	327,742
Distributions payable	5	<b>321,015</b>	228,995
<b>Total liabilities</b>		<b>337,902</b>	556,737
<b>Net assets attributable to unitholders - Equity</b>	11	<b>65,072,414</b>	95,263,933

The statement of financial position should be read in conjunction with the accompanying notes

**Trilogy Enhanced Income Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2023**

	Note	Total equity \$
<b>Balance at 1 July 2021</b>		74,165,113
<i>Comprehensive income:</i>		
Profit for the year		2,303,966
Other comprehensive income for the year		-
<b>Total comprehensive income for the year</b>		<u>2,303,966</u>
<i>Transactions with unitholders in their capacity as owners:</i>		
Applications	11	71,146,343
Redemptions	11	(50,460,441)
Units issued upon reinvestment of distributions	11	412,918
Distributions paid/payable	11	(2,303,966)
<b>Balance at 30 June 2022</b>		<u>95,263,933</u>
<b>Balance at 1 July 2022</b>		<b>95,263,933</b>
<i>Comprehensive income:</i>		
Profit for the year		3,600,553
Other comprehensive income for the year		-
<b>Total comprehensive income for the year</b>		<u>3,600,553</u>
<i>Transactions with unitholders in their capacity as owners:</i>		
Applications	11	37,723,835
Redemptions	11	(68,490,272)
Units issued upon reinvestment of distributions	11	574,918
Distributions paid/payable	11	(3,600,553)
<b>Balance at 30 June 2023</b>		<u>65,072,414</u>

The statement of changes in equity should be read in conjunction with the accompanying notes

**Trilogy Enhanced Income Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2023**

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Interest received - cash and cash equivalents		157,504	21,213
Distributions received - managed investment schemes		4,193,131	2,748,058
Fees paid to the Responsible Entity		(123,007)	(88,672)
Other fees paid		(153,203)	(44,252)
<b>Net cash provided by operating activities</b>	12	<u>4,074,425</u>	<u>2,636,347</u>
<b>Cash flows from investing activities</b>			
Investments in managed investment schemes		(68,865)	(61,305,558)
Redemptions from managed investment schemes		31,936,183	62,519,742
Investments in corporate bonds		(20,379,076)	(23,654,687)
Redemptions from corporate bonds		9,939,984	15,323,233
Investments in short term bank deposits		-	(6,012,424)
Redemptions from short term bank deposits		4,744,639	-
<b>Net cash provided by/(used in) investing activities</b>		<u>26,172,865</u>	<u>(13,129,694)</u>
<b>Cash flows from financing activities</b>			
Distributions paid to unit holders		(3,508,533)	(2,260,931)
Receipts from issue of units		38,298,753	71,559,260
Payments for redemption of units		(68,490,271)	(50,460,441)
Receipts to be returned		(310,000)	310,000
<b>Net cash (used in)/provided by financing activities</b>		<u>(34,010,051)</u>	<u>19,147,888</u>
Net (decrease)/increase in cash and cash equivalents		(3,762,761)	8,654,541
Cash at beginning of the reporting period		11,413,733	2,759,192
<b>Cash and cash equivalents at end of financial year</b>	7	<u>7,650,972</u>	<u>11,413,733</u>

The statement of cash flows should be read in conjunction with the accompanying notes

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 1 Reporting entity**

Trilogy Enhanced Income Fund (Scheme) is a registered managed investment scheme (MIS) under the Corporations Act 2001 (Act), and is an Attribution Managed Investment Trust (AMIT) under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The financial statements of the Scheme are for the year ended 30 June 2023. As stipulated by the Scheme's constitution, the life of the Scheme is limited to a period of not more than 80 years from the anniversary of the commencement of the Scheme. At this time, the Scheme is to realise the assets and distribute all surplus funds to unitholders. The Scheme is a for-profit entity.

**Note 2 Basis of preparation**

**(a) Statement of compliance**

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board and the Act. The financial statements of the Scheme comply with International Financial Reporting Standards and interpretations in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities. Assets and liabilities have been presented in decreasing order of liquidity, providing more reliable and more relevant information, due to the nature of activities of the Scheme.

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 21 September 2023.

**(b) Functional and presentation currency**

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

**(c) Key assumptions and sources of estimation**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are disclosed in:

- Note 8(a): Impairment losses (interest receivable);
- Note 14(b): Financial risk management (credit risk).

**Note 3 Significant accounting policies**

There are no new relevant Accounting Standards mandatory for future reporting periods which need to be considered for early adoption.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Scheme has not early adopted any accounting standard.

**Note 3 Significant accounting policies (continued)**

**(a) Cash and cash equivalents**

Cash and cash equivalents include deposits at call with financial institutions and other highly liquid investments with short periods to maturity, which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value on conversion.

**(b) Revenue and income recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

*(i) Changes in the fair value of investments*

Net gains or losses on investments held for trading or designated as at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

**(c) Expenses**

All expenses, including management fees, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

**(d) Taxation**

Under current legislation the Scheme is not subject to income tax as its taxable income including assessable realised capital gains is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme's constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceeds realised capital losses the excess is distributed to the unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

**(e) Unit prices**

The unit price is based on unit price accounting outlined in the Scheme's Constitution and Product Disclosure Statement (PDS).

The entry and exit unit price is fixed at \$1.00 per unit. Generally, the price of units in a managed investment scheme varies as the market value of assets rises or falls, however the Scheme is operated using a fixed price methodology whereby the unit price is always fixed at \$1.00.

The Responsible Entity aims for the net asset value of each unit to be kept at \$1.00 by calculating, allocating and distributing interest and other income (which may include income received or accrued and unrealised gains) earned on the Scheme's investments at the end of the each month. Should it be necessary, the Scheme's constitution provides mechanisms to bring the net asset value per unit to \$1.00, which include suspending applications and redemptions, choosing to redeem investors' units and, in some circumstances, compulsorily redeeming units on a pro-rata basis.

**Note 3 Significant accounting policies (continued)**

**(e) Unit prices (continued)**

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- (i) the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- (ii) the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- (iii) the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- (iv) the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The Scheme's units are classified as equity as they satisfy all the above criteria.

**(f) Distributions to unitholders**

Distributions to unitholders on units issued are recognised in the statement of changes in equity from 1 July 2017 as distributions paid/payable. Distributions paid to unitholders are included in cash flows from financing activities in the statement of cash flows.

**(g) Applications and redemptions**

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net asset value of the Scheme per the Constitution adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

**(h) Terms and conditions of units on issue**

The Scheme holds assets consisting of investments in fixed income and cash and cash equivalent products, with residual amounts invested in a pooled mortgage investment trust. Unitholders are issued units based on the application price at the time of investment.

Each unit confers upon the unitholder an equal interest in the Scheme and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income and capital distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

**(i) Finance costs**

Interest expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the interest-bearing financial liability and its amount at maturity calculated on an effective interest rate basis.



**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 3 Significant accounting policies (continued)**

**(j) Trade and other receivables**

Receivables are recorded at amortised cost less impairment and may include amounts for distributions and interest. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

**(k) Statement of changes in equity**

The scheme has completed a statement of changes in equity as all unitholder's funds have been classified as equity during the year.

**(l) Goods and services tax**

Management fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The GST recoverable from the ATO is included in trade and other receivables, while GST payable to the ATO is included in trade and other payables, both of which are presented in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis.

**(m) Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Scheme during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(n) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current year.

**Note 4 Revenue from investments**

	2023			2022		
	Average balance	Interest revenue	Weighted average rate	Average balance	Interest revenue	Weighted average rate
	\$	\$	p.a.%	\$	\$	p.a.%
Cash & TDs	17,578,646	595,664	3.39%	10,686,908	21,213	0.22%
MIS (i)	64,054,460	3,435,637	5.36%	77,665,244	2,944,822	8.91%
Other income (13(c)(i))	-	-	-	-	840,419	-
<b>Total revenue</b>		<b>4,031,301</b>	<b>5.07%</b>		<b>3,806,454</b>	<b>4.14%</b>

(i) MIS represents investments held in unlisted managed investment schemes.

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 4 Revenue from investments (continued)**

Weighted average balance is comprised of the balance of each identified investment vehicle held by the Scheme at the end of each month for a 12 month period prior to 30 June. The weighted average rate is the blended rate returned by the Fund based on the investment rate returned for a 12 month period prior to 30 June.

Direct holdings represent debt instruments held by the Scheme and managed under an Investment Management Agreement (IMA) with an external service provider.

**Note 5 Distributions to unitholders**

	2023		2022	
	\$	Cents/unit	\$	Cents/unit
<i>Ordinary units</i>				
Distributions paid during the period	3,279,538	3.90	2,074,971	2.36
Distributions payable at period end	321,015	0.47	228,995	0.19
	<b>3,600,553</b>	<b>4.37</b>	<b>2,303,966</b>	<b>2.55</b>

**Note 6 Auditor's remuneration**

During the period the following fees were paid or payable for services provided by the auditor of the Scheme, BDO Audit Pty Ltd (i):

	2023	2022
	\$	\$
<i>Audit and other assurance services</i>		
• Audit of the financial statements	27,700	25,700
• Audit of the compliance plan	6,500	5,100
Total remuneration for audit and other services	<b>34,200</b>	<b>30,800</b>

(i) Auditor's remuneration and taxation fees are paid by the Responsible Entity, not by the Scheme (refer Note 13).

**Note 7 Cash and cash equivalents**

	2023	2022
	\$	\$
Cash at bank	<b>7,650,972</b>	11,413,733

**Note 8 Trade and other receivables**

	2023	2022
	\$	\$
Distributions receivable - MIS	198,613	432,738
Receivables from related entities (i)	254,476	929,000
Other receivables	71,128	925
	<b>524,217</b>	<b>1,362,663</b>

(i) Related entity receivables is comprised of indemnity guarantees provided by a related party, see note 13(c)(i).

**(a) Impairments**

The Scheme recorded no impairment losses in respect of trade and other receivables for the period as part of the annual balance date review procedures.

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 8 Trade and other receivables (continued)**

**(b) Past due but not impaired receivables**

As at 30 June 2023 none of the Scheme's trade and other receivables were past due, nor were they impaired.

**(c) Collateral pledged**

No collateral is held over trade and other receivables.

**Note 9 Financial assets**

	2023	2022
	\$	\$
Investments in unlisted Managed Investment Schemes (i)	55,967,342	77,031,850
Short term bank deposits (ii)	1,267,785	6,012,424
	<u>57,235,127</u>	<u>83,044,274</u>

(i) The Scheme's investment mandate stipulates that investor funds are to be invested at a ratio of approximately 65% into cash and cash style investments (including unlisted MIS and rated corporate bonds) and approximately 35% into the Trilogy Monthly Income Trust (TMIT), a registered managed investment scheme for which Trilogy Funds Management Limited also acts as Responsible Entity.

(ii) Current deposits with Authorised Deposit-Taking Institutions

The Scheme's investments are carried at fair value through profit or loss.

**(a) Movement in financial assets**

	2023	2022
	\$	\$
Balance at beginning of period	83,044,274	71,289,171
Cash investments	20,447,941	90,972,670
Redemption of cash investments	(46,620,806)	(77,842,975)
Fair value gain/(loss) on investments	363,718	(1,374,592)
Balance at end of period	<u>57,235,127</u>	<u>83,044,274</u>

**(b) Recognised fair value measurements**

*(i) Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair value of the Scheme's investment in unlisted managed investment schemes. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its investments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 9 Financial assets (continued)**

**(b) Recognised fair value measurements (continued)**

*(i) Fair value hierarchy (continued)*

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>2023</b>				
Short term bank deposits	1,267,785	-	-	1,267,785
Investments in unlisted MIS	-	55,967,342	-	55,967,342
	1,267,785	55,967,342	-	57,235,127
<b>2022</b>				
Short term bank deposits	6,012,424	-	-	6,012,424
Investments in unlisted MIS	-	77,031,850	-	77,031,850
	6,012,424	77,031,850	-	83,044,274

There were no transfers between levels 1, 2 or 3 during the period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

**Level 1:** the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); and

**Level 3:** a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

*(ii) Valuation techniques used to determine level 2 and level 3 fair values*

The fair value of the financial asset not traded in an active market (investments in unlisted managed investment schemes) is determined using valuation techniques which uses observable market data.

**Note 10 Trade and other payables**

	2023	2022
	\$	\$
Trade payables	16,537	327,742
Other payables	350	-
	16,887	327,742

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 11 Net assets attributable to unit holders**

The unitholders funds of the Scheme are classified as equity under the criteria of AASB 132 Financial Instruments: Presentation.

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	2023		2022	
	Ordinary units No	Contributed capital \$	Ordinary units No	Contributed capital \$
Balance - 1 July	95,263,933	95,263,933	74,165,113	74,165,113
Units issued	37,723,835	37,723,835	71,146,343	71,146,343
Units issued upon reinvestment of distributions	574,918	574,918	412,918	412,918
Units redeemed	(68,490,272)	(68,490,272)	(50,460,441)	(50,460,441)
Distributions paid and payable	-	(3,600,553)	-	(2,303,966)
Profit for the year	-	3,600,553	-	2,303,966
Balance - 30 June	65,072,414	65,072,414	95,263,933	95,263,933

<i>Net asset value per unit</i>	2023	2022
Net asset value per unit as at 30 June	\$1.00	\$1.00

Units in the Scheme entitle the unitholder to participate in distributions and proceeds on the winding up of the Scheme in proportion to the number of units held.

On a show of hands each unitholder present at a meeting in person or by proxy is entitled to one vote, and on a poll each member has one vote for each dollar of the value of the total units they have in the Scheme.

**Note 12 Reconciliation of cash flows from operating activities**

	2023 \$	2022 \$
Profit for the year attributable to unitholders	3,600,553	2,303,966
<i>Adjustments for:</i>		
Fair value movement of financial instruments held at fair value	(363,718)	1,374,592
<i>Changes in operating assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables*	838,445	(1,036,497)
(Decrease)/increase in trade and other payables*	(310,855)	304,286
Increase/(decrease) in trade and other payables: financing activities	310,000	(310,000)
Net cash used in operating activities	4,074,425	2,636,347

\*Net of funds to be received / returned to investors

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 13 Related party transactions**

**(a) Responsible Entity**

The Responsible Entity of the Trilogy Enhanced Income Fund is Trilogy Funds Management Limited ABN 59 080 383 679.

**(b) Key management personnel**

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme. The Executive Directors of the Responsible Entity are key personnel of that entity and their names are John C Barry, Philip A Ryan, Justin J Smart, Clinton B Arentz and Henry F Elgood. The Responsible Entity also has three Non-Executive Directors being Rodger I Bacon, Robert M Willcocks and Rohan C Butcher.

The Responsible Entity is entitled to a management fee which is determined on a daily basis, calculated on the total value of units on issue in the Scheme.

No compensation is paid to the Directors of the Responsible Entity or to the key personnel of the Responsible Entity by the Scheme.

**(c) Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

**i. Transactions recorded in the statement of profit or loss and other comprehensive income**

	2023	2022
	\$	\$
<i>Fees paid directly by the Scheme</i>		
Responsible Entity management fees (i)	332,819	308,814
Responsible Entity management fees rebated (i)	(214,251)	(227,902)
	<u>118,568</u>	<u>80,912</u>
Indemnity guarantee (ii)	(674,524)	840,419
	<u>(674,524)</u>	<u>840,419</u>

**ii. Transactions not recorded in the statement of profit or loss and other comprehensive income**

	2023	2022
	\$	\$
<i>Fees not paid directly by the Scheme (iii)</i>		
Audit and other assurance services (refer Note 6)	34,200	30,800
Compliance fees	13,337	8,290
Registry fees	35,097	35,400
Custodian fees	21,742	30,701
Marketing costs	234,729	328,678
Research fees	-	14,400
Taxation fees	5,150	12,009
Legal fees	-	6,900
Platform fees	5,582	2,688
Postage and printing	32,733	21,479
	<u>382,570</u>	<u>491,345</u>

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 13 Related party transactions (continued)**

**(c) Transactions with related parties (continued)**

**iii. Balances recorded in the statement of financial position**

	2023	2022
	\$	\$
<i>Receivables</i>		
Trade and other receivables - distribution receivable (iv)	254,476	929,000
Trade and other receivables - indemnity guarantee (v)	198,613	164,545
	<u>453,089</u>	<u>1,093,545</u>
<i>Payables</i>		
Trade and other payables (i)	<u>8,238</u>	<u>12,677</u>

(i) The Responsible Entity is entitled to a management fee of 0.35% p.a. (plus GST). This fee is calculated on the total value of units held by the Scheme. Costs are paid for by the Responsible Entity, or a related party to it, on behalf of the Scheme.

(ii) Repayments of the limited indemnity provided by a related party to the Scheme.

(iii) Costs are paid for by the Responsible Entity, or a related party to it, on behalf of the Scheme.

(iv) Receivable distributions from related parties are accrued on a monthly basis.

(v) A limited indemnity is provided by a related party to the Scheme to compensate losses incurred from investments in financial assets. These indemnities are provided as required to meet distribution payments.

**(d) Related party investments held by the Scheme**

Details of holdings by the Scheme in the Responsible Entity, other schemes operated by the Responsible Entity and entities associated with Directors of the Responsible Entity are as follows:

	Interest held %	Unitholding \$	Units issued No.	Units redeemed No.	Distributions paid and/or payable \$
<b>2023</b>					
Trilogy Monthly Income Trust	3.75	24,258,912	24,258,912	-	2,188,839
<b>2022</b>					
Trilogy Monthly Income Trust	5.63	36,333,368	36,333,368	-	1,718,768

**(e) Units in the Scheme held by other related parties**

Details of holdings in the Scheme by the Responsible Entity, other schemes operated by the Responsible Entity and entities associated with Directors of the Responsible Entity are as follows:

	Interest held %	Unitholding \$	Units issued No.	Units redeemed No.	Distributions paid and/or payable \$
<b>2023</b>					
Trilogy Monthly Income Trust	1.54	1,000,000	-	14,050,000	304,210
Trilogy Industrial Property Trust	-	-	-	2,800,000	16,620
Clarebrook Superannuation Fund	0.08	52,579	2,126	-	2,256
Rojacan Pty Ltd	0.12	75,000	-	-	3,283

**Note 13 Related party transactions (continued)**

**(e) Units in the Scheme held by other related parties (continued)**

	Interest held %	Unitholding \$	Units issued No.	Units redeemed No.	Distributions paid and/or payable \$
<b>2022</b>					
Trilogy Monthly Income Trust	15.80	15,050,000	-	-	390,933
Trilogy Industrial Property Trust	2.94	2,800,000	8,550,000	5,750,000	79,725
Clarebrook Superannuation Fund	0.05	50,453	25,453	-	932
Rojacan Pty Ltd	0.08	75,000	-	-	1,948

**(f) Key management personnel loan disclosures**

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

**(g) Other transactions within the Scheme**

Apart from those details disclosed in this note, no Director has entered into a material contract with the Scheme from inception to the end of the financial period and there were no material contracts involving Directors' interests subsisting at year end.

**Note 14 Financial risk management**

**Overview**

The Scheme's assets principally consist of investments in short term bank deposits and investments in other unlisted managed investment schemes. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and PDS.

**Specific financial risk exposures and management**

The main risks the Scheme is exposed to through its financial instruments are capital risk, credit risk, liquidity risk and market risk relating to interest rate risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

The Board is responsible for developing and monitoring the Fund's risk management policies. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.



**Note 14 Financial risk management (continued)**

**(a) Capital risk**

**Risk of capital loss and compulsory redemption units**

The unit price is fixed at \$1.00 and the Responsible Entity aims to maintain a net asset value backing for each unit of \$1.00 per unit. However, it is possible that a capital loss on one or more of the Scheme's investments results in the value of a unit (or its 'net asset backing') becoming less than the fixed unit price of \$1.00. The constitution requires the Responsible Entity to take steps to bring the unit value back to \$1.00 which may result in suspension of further applications and withdrawals from the Scheme until income received or accrued brings the unit value back up to \$1.00, meaning that unitholders not be able to make further investments in the Scheme, and it may take longer than 30 days for a redemption request to be paid.

Additionally, if the net asset value of a unit is less than \$1.00 at the end of the month, then the constitution of the Scheme allows, and in certain circumstances, requires the Responsible Entity to implement a pro rata compulsory redemption and cancellation mechanism to return the net value of each unit on issue to \$1.00. This means that some units may be redeemed for nil value and cancelled to bring the net value of each of the Scheme's remaining units on issue to \$1.00.

*Capital management*

The Scheme's capital management strategy seeks to maximise unitholder value through optimising the level and use of capital resources and the mix of debt funding.

The Scheme's capital management objectives aim to:

- Ensure that the Scheme complies with capital and distribution requirements of its Constitutions and PDS;
- Ensure sufficient capital resources to support the Scheme's operational requirements;
- Continue to support the scheme's credit worthiness; and
- Safeguard the Scheme's ability to continue as a going concern.

In a stable economic environment the Scheme is generally able to alter its capital mix by adjusting distributions paid to unitholders.

**(b) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. A reduction in the value of an investment may be from a political, social, or economic event during which credit markets may experience dislocation. The Scheme's maximum exposure to credit risk at the reporting date is as follows:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>\$</b>	<b>\$</b>
<b>Financial assets</b>			
Investments in financial instruments	9	<b>57,235,127</b>	83,044,274
<b>Total financial assets</b>		<b>57,235,127</b>	83,044,274

**Note 14 Financial risk management (continued)**

**(b) Credit risk (continued)**

*i. Investment risk – structure of underlying managed investment scheme*

Where the Scheme invests in another managed investment scheme, it carries the risk that there could be a change of that fund's responsible entity/investment manager, loss of key personnel, or the responsible entity/investment manager may not meet their obligations or perform as expected, assets may be lost, inaccurately recorded or misappropriated, fees and charges may change, systems may fail and insurance may be inadequate or insurers not pay at all. Additionally, any changes in the economic or regulatory environment that impacts upon the performance of the responsible entity or investment manager of a fund may have an effect upon the returns obtained from the Scheme.

*ii. Operations risk – structure of underlying managed Investment*

A managed investment scheme that the Scheme invests in will carry the operational risks inherent in that particular scheme. For example, the assets in which the scheme invests in could be assigned credit ratings by independent ratings agencies and in the case where they are downgraded this could significantly reduce the value of an asset in the Scheme. Additionally, it is possible that the investment manager of a scheme that the Scheme invests in uses derivatives from time to time to manage risks of that scheme as considered appropriate by the relevant investment manager. These carry risks as well, including that the value of a derivative fails to move in line with the underlying assets, the potential liquidity of an asset, potential leverage resulting from the position and counterparty risk.

A further example concerns borrowing risk. While the Scheme does not intend to borrow, it could be that a scheme in which the Scheme invests has an ability to borrow. The risk with borrowing is that it magnifies both good and bad returns. Further, where the Scheme invests in listed income securities, these will carry the risk of volatility that arises from investments in the share market (including any capital gains or losses that may eventuate), which may have an impact on the returns obtained from the Scheme.

More general risks that may impact upon the Scheme when investing in a managed investment scheme include liquidity risk (if the scheme cannot meet withdrawal requests, this may have an impact on withdrawals from the Scheme), market risk (if the valuation of the scheme's assets are materially affected, this may have an impact on the value of the Scheme's assets) and interest rate risk (any change in returns from the assets of the scheme may have an impact on the returns obtained from the Scheme).

*iii. Investment environment risks*

Changes to the regulatory environment relating to financial services, taxation and other regimes may adversely affect investors in the Scheme. Government policies can affect the Scheme in a number of ways that could be detrimental or beneficial to investors in the Scheme. Similarly, changes in the health or social environment can impact the Scheme and cause short term or long term market disruption to investments made by the Scheme that would be detrimental to investors in the Scheme. There can be no guarantee that investor confidence in credit or mortgage investments will not change in a manner adverse to investors in the Scheme. The general economic, health, social and political climates in which the Scheme operates or other like events are outside the control of the Scheme.

*iv. Credit risk - individual investments*

A reduction in the value of an investment may be from political, social or economic events during which credit markets experienced and may continue to experience a degree of dislocation.

**Note 14 Financial risk management (continued)**

**(b) Credit risk (continued)**

*v. Short term bank deposits*

This is the risk that the value of an individual investment made by the Scheme directly or indirectly in a cash related product may change or become more volatile, potentially causing a reduction in the value of the Scheme and increasing its volatility. This may be because, amongst other things, there are changes in the Government's policies, the Responsible Entity's operations or management, or business environment, or a change in perceptions of the risk of any investment. Various risks may lead to the issuer of the investment defaulting on its obligations and reducing the value of the investment to which the Scheme has an exposure.

**(c) Liquidity risk**

The Scheme is operated on the basis that it is 'liquid', meaning there is a reasonable expectation that at all times at least 80% of the Scheme's assets will be able to be realised for their market value within 6 months. Like the Scheme, the underlying funds the Scheme invests in are operated as liquid funds with redemptions available in a short period of time. However, it is possible that the underlying investments have assets that can be 'illiquid' in some circumstances, resulting in delays, or at worst, funds may become frozen. Additionally, there could be high volumes of withdrawal requests, which lead to the underlying funds or the Scheme delaying or freezing the processing of withdrawal requests and impacting the Scheme's ability to fund withdrawals.

The Scheme manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

	Carrying amount \$	Contractual cash flows \$	< 6 months \$	6-12 months \$	On call (i) \$
<b>2023</b>					
<b>Financial liabilities</b>					
Distributions payable	321,015	321,015	321,015	-	-
Trade and other payables	16,887	16,887	16,887	-	-
	337,902	337,902	337,902	-	-
<b>2022</b>					
<b>Financial liabilities</b>					
Distributions payable	228,995	228,995	228,995	-	-
Trade and other payables	327,742	327,742	327,742	-	-
	556,737	556,737	556,737	-	-

(i) Subject to terms and conditions of the Scheme's PDS.

**Note 14 Financial risk management (continued)**

**(d) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Scheme's income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

*i. Interest rate risk*

Interest bearing financial assets and interest bearing financial liabilities are subject to both fixed and variable interest rates. The Scheme is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Scheme's interest rate risk is managed on a daily basis by management in accordance with policies and procedures in place.

**Interest rate sensitivity analysis**

An increase or decrease of 100 basis points in interest rates as at the reporting date would have no effect on the net assets attributable to unitholders and operating results. This is due to the fact that interest revenue earned on the Scheme's financial assets is paid to unitholders as a monthly distribution (net of fees paid to the Responsible Entity) and consequently any increase or decrease in interest rates would be inversely reflected in the value of distributions paid by the Scheme.

*ii. Property value risk*

The majority of the financial assets held by the Trilogy Monthly Income Trust, in which the Scheme invests, are secured by registered mortgages over real property in Australia. As a result, the Scheme is subject to property value risk in the prevailing levels of market property values. As Trilogy Funds Management Limited acts as responsible entity for both the Scheme and the Trilogy Monthly Income Trust, it seeks to manage property value risk on a regular basis by implementing policies and procedures, including but not limited to:

- The adoption of maximum loan to valuation ratios of 70.00% for new loans;
- Loans limited to \$40,000,000; and
- Geographic restrictions.

**Property value sensitivity analysis**

Due to the relatively short term nature of the loans originated by the Responsible Entity within the Trilogy Monthly Income Trust, the Scheme is not overtly exposed to fluctuations in property values.

*iii. Other market risk*

The Scheme is not exposed to other material market risks on its financial assets and liabilities.

**(e) Fair value estimation**

The fair values of financial assets and liabilities approximate their carrying value.

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

**Trilogy Enhanced Income Fund**  
**Notes to the financial statements**  
**30 June 2023**

**Note 15 Custodian of the Scheme**

The Scheme's custodian is The Trust Company Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The total value of net assets held by the custodian at cost as at 30 June 2023 is \$65,072,414 (2022: \$95,263,933).

The custodian is entitled to a minimum annual administration fee of \$17,417 (plus GST) (2022: \$16,409). These fees are paid by the Responsible Entity.

The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

**Note 16 Litigation and contingent liabilities**

There are no contingent liabilities or contingent assets at 30 June 2023 (2022: nil).

**Note 17 Events subsequent to reporting date**

There has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

**Trilogy Enhanced Income Fund**  
**Directors' declaration**

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Trilogy Enhanced Income Fund (Scheme):

- (a) The financial statements and notes, as set out on pages 7 to 26 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Scheme's financial position as at 30 June 2023 and of its performance, for the year ended 30 June 2023; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and
- (c) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.



Philip A Ryan  
Managing Director

21 September 2023  
Brisbane



Justin J Smart  
Executive Director

21 September 2023  
Brisbane

## INDEPENDENT AUDITOR'S REPORT

To the members of Trilogy Enhanced Income Fund

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Trilogy Enhanced Income Fund (the Registered Scheme), which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration of Trilogy Funds Management Limited as Responsible Entity of Trilogy Enhanced Income Fund.

In our opinion the accompanying financial report of Trilogy Enhanced Income Fund, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Registered Scheme's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Registered Scheme in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Enhanced Income Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other information

The directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Enhanced Income Fund are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Registered Scheme's Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Report**

The directors of Trilogy Funds Management Limited as Responsible Entity of Trilogy Enhanced Income Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Registered Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Registered Scheme or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

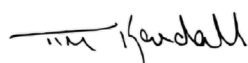
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf)

This description forms part of our auditor's report.

**BDO Audit Pty Ltd**

BDO



**T J Kendall**

Director

Brisbane, 21 September 2023





## Find out more.

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This report is issued by Trilogy Funds Management Limited ABN 59 080 383 679 AFSL 261425 (Trilogy Funds) as responsible entity for the Trilogy Enhanced Income Fund ARSN 614 682 469. Application for investment can only be made on the application form accompanying the Product Disclosure Statement (PDS) dated 30 September 2022 and by considering the Target Market Determination (TMD) dated 30 September 2022 for the Trilogy Enhanced Income Fund ARSN 614 682 469 available at [www.trilogyfunds.com.au](http://www.trilogyfunds.com.au). The PDS and the TMD contain full details of the terms and conditions of investment and should be read in full, particularly the risk section, prior to lodging any application or making a further investment. All investments, including those with Trilogy Funds, involve risk which can lead to no or lower than expected returns, or a loss of part or all of your capital. Trilogy Funds is licensed to provide only general financial product advice about its products and therefore recommends you seek personal advice on the suitability of this investment to your objectives, financial situation and needs from a licensed financial adviser. Investments with Trilogy Funds are not bank deposits and are not government guaranteed. Past performance is not a reliable indicator of future performance.